



MONTHLY REVIEW – July 2023

General Market
Commentary

CPI saw a mild increase in July, up 0.4% MoM and 2.1% YoY. PMI improved to 48.7, increasing from 46.2 in the previous month, though it continues to lag behind February's 51.2, marking the fifth consecutive month below 50. Year-to date, FDI registration advanced to \$16.2bn (+4.4% YoY) and disbursement was \$11.6bn (+0.8% YoY). Exports in July stood at \$194.7bn YTD (-10.6% YoY), with imports totalling \$179.5bn YTD (-17.1% YoY). Consequently, the trade surplus reached \$15.2bn YTD, a substantial increase from the \$1.3bn of 7M22. The primary driver was a reduction in imports, which may hint at weaker future prospects in conjunction with the low PMI. The VND continued to depreciate by another 0.4% MoM due to surplus liquidity in the Vietnam banking system. The money market rates in Vietnam stayed at very low levels of below 1%, creating negative swap rates and exerting pressure on foreign exchange. The overnight money market rate remained in the low range of 0.2-0.3% from 4% at the end of May, and rates for 1-month and 3-month terms decreased to 1.7% and 3.5% respectively (a reduction of 1.0-1.3% MoM).

The SBV refrained from further policy rate cuts in July after the fourth downward adjustment by June, amounting to roughly 1-1.5% across all terms. However, deposit rates continued to decrease by 20-100bps. The 4 SOCBs are currently offering 12-month deposits at below 6%, approaching the low points of early 2022. Lending rates were reported at levels lower than end of 2022 some 100-150bps. Credit growth in the banking system continued to pose a challenge; by 30 June, credit had grown only 4.7% YTD, significantly below the 2023 full-year target of 14-15%.

Vietnam Government
Bond Market

Regarding Government bonds (VGBs), the primary issuance plan for FY23 remains at VND 400tn (\$17bn), with 10-15-year tenors accounting for 72.5% of issuances. The target for 3Q23 was set at VND 110tn (\$4.6bn), -8.3% QoQ, of which 75.5% is allocated for 10 and 15-year tenors. In July, there were 15 VGB auctions with a total issuance of VND 28.8tn (\$1.2bn), a 73.6% increase MoM. By the end of July, the total issuance amounted to 208.7tn YTD (\$8.8bn), equivalent to 52% of the full-year target. In response to market demand, the State Treasury adjusted the weekly target down to boost the fill-up ratio. Positive sentiment in the interest rate market led to another month of reduced rates and high fill-up ratios for VGBs, reaching 94.5%. Primary yields fell 18-41bps across tenors from 1 to 30 years, a significant move for one month. The secondary yield curve saw a substantial downward shift of 17-40bps, most pronounced in the 1 to 3-year tenors. Since March, the yield curve has declined by approximately 200bps, settling in the range of 1.9%-2.8% for 1-to-15-year tenors. The gap between primary and secondary yields narrowed to below 10bps, a decline from 30-40bps in February.

The total outright trading volume on the secondary market decreased by 22% MoM to 3.7bn, with daily transactions falling to \$87m/day. Repos also declined by 39-48% to \$0.9bn/month or \$44.5m/day. Foreign investors returned with net-buying in July, totalling approximately \$23m. Tenors from 5 to 10 years accounted for only 52.4% of total outright transactions, a notable reduction compared to 75% in previous months, while 20 to 30-years contributed 44.5% of the total outright transactions.

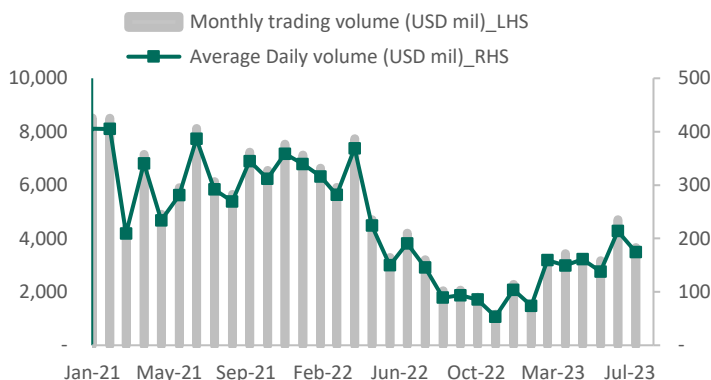
VGB PRIMARY ISSUANCES vs ISSUANCE PLAN

Tenor	Issuance Plan Q3-2023 (VND bn)	Issuance Plan FY 2023 (VND bn)	Issued Value in Current Month (VND bn)	Cumulative Issued Value in Current Quarter (VND bn)	Cumulative Issued Value YTD (VND bn)	% Completion of Quarterly Plan	% Completion of FY 2023 Plan
5-year	10,000	35,000	1,239	1,239	22,788	12%	65%
7-year	3,000	5,000	-	-	950	0%	19%
10-year	35,000	125,000	11,098	11,098	81,697	32%	65%
15-year	48,000	165,000	15,000	15,000	95,553	31%	58%
20-year	7,000	20,000	500	500	2,049	7%	10%
30-year	7,000	20,000	1,000	1,000	5,692	14%	28%
Total	110,000	400,000	28,837	28,837	208,729	26%	52%

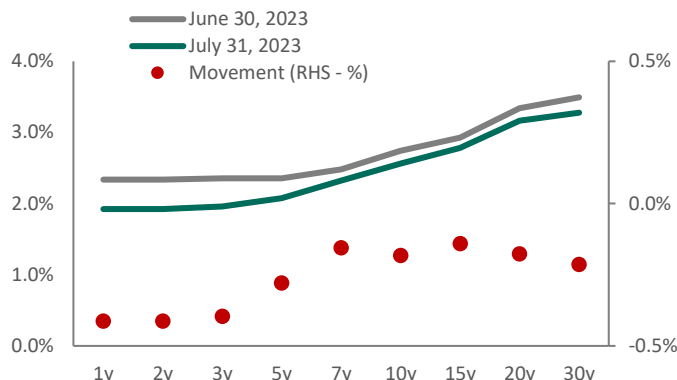


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VGB OUTRIGHT TRADING VALUE



VGB SECONDARY MARKET YIELD CURVE



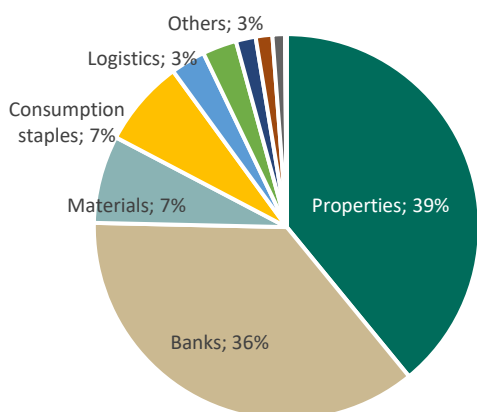
Data Source: HNX/VBMA

Vietnam Corporate Bond Market

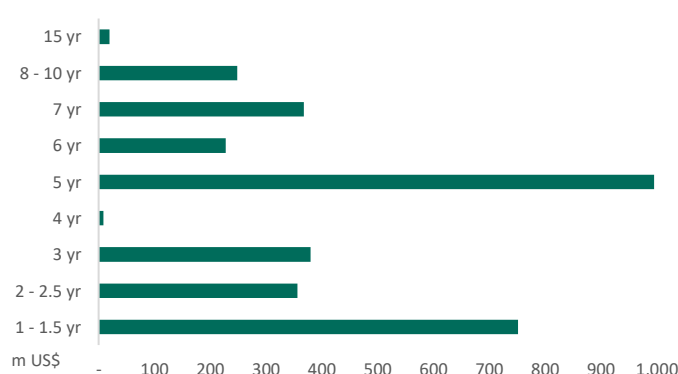
In July, new issuances continued to increase to VND 14.2tn (\$600m), +73.6% MoM. This is a good signal, double the monthly average of new issuances in H1 2023. This positive trend was reflected across 21 bonds from 10 issuers in various sectors, an encouraging signal after many quiet months. Since the start of the year, there have been 80 bond issuances, totalling \$3.3bn, with 56% of these issued in June-July. The reported YTD issuances were returning to the old balance of banks, real estate, and others. Real estate still constituted the largest portion at 39%, with banks catching up in June at 36% and the remainder distributed across other sectors at 25%.

The major amendments to Decree 8 include allowing issuers to renegotiate terms by up to two years, giving holders the option to receive cash or assets as repayment, and extending the deadline until year-end for the requirements of professional investor status and professional credit rating. The first point offers a crucial framework for bond restructuring, but it will require concerted efforts from all market participants, including bond issuers, holders, intermediaries, and banks. Recently, the new dedicated platform for private corporate bonds with T+0 settlement was launched by HNX in July. This marks a significant step for the corporate bond market, centralising information and enhancing transparency. Of the total amount of approximately VND 300tn (\$12.8bn) maturing in 2023, it is estimated that around 30 issuers have successfully extended the maturity for two years, totalling VND 36tn (\$1.5bn).

CORPORATE BONDS – PRIMARY ISSUANCE BY ISSUER YTD



CORPORATE BONDS – PRIMARY ISSUANCE BY TENORS YTD



Source: HNX/VBMA

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